



County of Los Angeles CHIEF EXECUTIVE OFFICE

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August 28, 2014

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From: William T Fujioka
Chief Executive Officer *WTF*

SACRAMENTO UPDATE

Executive Summary

This memorandum contains reports on the following:

- **Pursuit of County Position on Legislation**
 - **SB 500 (Lieu).** This measure would require the Department of Health Care Services, in coordination with counties, to implement procedures to routinely identify and initiate the recovery of ineligible payments previously authorized and made to Drug Medi-Cal Program providers. Therefore, unless otherwise directed by the Board, consistent with existing policies to support legislation that improves oversight of the State's Drug Medi-Cal program by implementing specified program enhancements, **the Sacramento advocates will support SB 500.**
- **Status of County-Advocacy Legislation**
 - **County-opposed AB 194 (Campos)** - related to the Brown Act, passed the Assembly Floor on August 27, 2014, and now proceeds to the Governor.
 - **County-opposed AB 1175 (Bocanegra)** - related to agricultural inspector services, failed passage in the Assembly Agriculture Committee on August 27, 2014, and will not proceed this year.

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- **County-supported AB 2231 (Gordon, Levine, Patterson)** - related to the Senior Citizens and Disabled Citizens Property Tax Postponement Program, passed the Assembly Floor on August 27, 2014, and now proceeds to the Governor.
- **County-supported AB 2415 (Ting)** - related to property tax agent registration, passed the Assembly Floor on August 27, 2014, and now proceeds to the Governor.
- **County-supported SB 785 (Wolk)** - related to design-build, passed the Senate Floor on August 27, 2014, and now proceeds to the Governor.
- **Status of Legislation of County Interest**
 - **AB 2576 (Committee on Revenue and Taxation)** - related to the establishment of an assessment analyst certification program and biodiesel tax refund/reimbursement, passed the Assembly Floor on August 27, 2014, and now proceeds to the Governor.

Pursuit of County Position on Legislation

SB 500 (Lieu), which as amended on August 22, 2014, would require the Department of Health Care Services (DHCS), in coordination with counties, to ensure that procedures are implemented to routinely identify and initiate recovery efforts for payments that counties authorize either: 1) between the effective date of a Drug Medi-Cal Program provider's decertification and the date the County receives information regarding the decertification; or 2) after the beneficiary's death.

Existing law provides for the Drug Medi-Cal (DMC) Program in which counties enter into contracts with DHCS to provide drug treatment services to Medi-Cal recipients, via community-based organizations and service providers. In instances where counties elect not to provide or administer this service, DHCS contracts directly with DMC service providers to provide these services within the respective county. Drug treatment services under the DMC Program are provided in an outpatient or residential treatment facility setting and include services such as: narcotic treatment; outpatient Naltrexone treatment; outpatient drug free; day care habilitative; and perinatal residential services.

In Los Angeles County, the Department of Public Health (DPH) is responsible for administering the DMC Program on behalf of the County through a contract with DHCS. Under the terms of the County's contract with DHCS, which was originally approved by the Board in 1994, DPH is responsible for ensuring that alcohol and drug treatment services deemed medically necessary are provided to Medi-Cal eligible recipients. In this role, DPH is responsible for, among other things: 1) directly contracting with program providers; 2) monitoring program services to ensure compliance with all rules, regulations, and contractual requirements; and 3) working with service providers to correct deficiencies.

On August 19, 2014, in response to a request from the Joint Legislative Audit Committee, the California State Auditor's Office (State Auditor) released an audit report entitled, *California Department of Health Care Services: Its Failure to Properly Administer the Drug Medi-Cal Treatment Program Created Opportunities for Fraud*. Among the findings included in the report were that: 1) nearly \$1 million in DMC Program provider claims were approved to potentially ineligible providers during a five-and-a-half year period; 2) State reimbursement to providers had occurred for services purportedly rendered to deceased beneficiaries; and 3) during an analysis of four years' worth of billing data, approximately \$94 million in authorized payments were potentially indicative of fraudulent activity. Included in the nearly 40 recommendations that were offered by the State Auditor to improve the administration of the State's DMC Program, was a recommendation that DHCS develop and implement new procedures for routinely identifying and initiating recovery efforts for payments that it authorizes between the effective date of a provider's decertification and the date it became aware of the decertification, in addition to the payments it authorizes between a beneficiary's date of death and its receipt of the death record.

According to the author of SB 500, the amount of fraud in the DMC Program is not only outrageous, but potentially damaging to efforts that seek to utilize rehabilitation as a solution to the State's incarceration and drug abuse problems. The author further notes that the findings included in the State Auditor's recently-released audit report, as well as information revealed in recent oversight hearings on the program, is confirmation that there has been widespread fraud in the DMC Program.

The Department of Public Health indicates that SB 500, if enacted, will not only help fortify the DMC Program, but will also help eliminate or reduce the loss of Federal Medicaid and State matching funds to ineligible provider billings. DPH further notes their concurrence with the need for the State and counties to work together to recover these payments/funds.

This office and DPH support SB 500. Therefore, unless otherwise directed by the Board, consistent with Board existing policies to support legislation that improves oversight of the State's Drug Medi-Cal program by implementing program enhancements that include, but are not limited to: 1) improved collaboration, information sharing, and communication between the State and local jurisdictions; 2) adoption of formal policy and procedures for immediately advising counties when provider agencies are being decertified or suspended by the State and/or investigated by the California Department of Justice; 3) inclusion of in-depth administrative, programmatic, and financial reviews during the provider certification review process; and 4) increased provider engagement and training, **the Sacramento advocates will support SB 500.**

Currently, there is no registered support or opposition on file for SB 500.

SB 500 has been re-referred to the Assembly Committee on Rules.

Status of County-Advocacy Legislation

County-opposed AB 194 (Campos), which as amended on July 1, 2014, would amend the Brown Act to forbid the legislative body of a local agency at their public meetings from prohibiting or limiting comment by a member of the public wishing to speak before the legislative body's consideration of an item, as well as during consideration, including comment by those that fail to provide advance notice of comment, was amended on August 20, 2014.

As amended, AB 194 contains a new provision that would, if a local legislative body limits the time for public comment, prohibit the body from counting the time used by a translator to translate comments from a non-English-speaking commenter in tracking the speaker's time limit unless simultaneous translation equipment is used to allow the body to hear the translated public testimony simultaneously. This provision is taken from AB 1330 (Pérez), legislation related to the California Environmental Protection Agency. Additionally, AB 1330, as amended on August 22, 2014, incorporates the main provisions of AB 194, which would become operative if both bills are chaptered and AB 1330 is chaptered last. AB 1330 was re-referred to the Senate Committee on Rules on August 25, 2014.

AB 194 now proceeds to the Governor, where the County will actively seek his veto of this measure.

County-opposed AB 1175 (Bocanegra), which as amended on August 18, 2014, would prohibit the California Secretary of Food and Agriculture from entering into a cooperative agreement with Los Angeles County for agricultural inspector services

unless 75 percent of the agricultural inspector associates not afforded protections as permanent employees employed under these cooperative agreements are afforded protections as permanent County employees, failed to pass out of the Assembly Agriculture Committee on August 27, 2014. The measure will not proceed this year.

County-supported AB 2231 (Gordon, Levine, Patterson), which as amended on August 21, 2014, would: 1) reinstate the Senior Citizens and Disabled Citizens Property Tax Postponement (PTP) Program to provide for deferment of property taxes for qualified seniors and disabled persons; 2) establish the Senior Citizens and Disabled Citizens PTP Fund (Fund) to pay the administrative costs and disbursements related to the postponement of property taxes for eligible applicants; 3) require PTP loan payments and funds resulting from the voluntary sale of a property that has a lien to be deposited directly into the Fund; and 4) require the State Controller to provide county tax collectors with information required to prepare for and enforce the sale of tax-defaulted property, subject to the request of county tax collectors and their certification under penalty of perjury that the information is being requested for this specific purpose, passed the Assembly Floor, in concurrence of Senate amendments, by a vote of 74 to 0 on August 27, 2014. This measure now proceeds to the Governor.

County-supported AB 2415 (Ting), which as amended on August 21, 2014, would, beginning April 1, 2016, require a property tax agent to register with the Secretary of State before representing a taxpayer before a county official, passed the Assembly Floor, in concurrence of Senate amendments, by a vote of 63 to 10 on August 27, 2014. This measure now proceeds to the Governor.

County-supported SB 785 (Wolk), which as amended on August 22, 2014, would: 1) enact uniform provisions authorizing local agencies to utilize the design-build contract procurement process, 2) lower the project cost threshold to \$1.0 million, 3) add minimum factors to the criteria used to evaluate design-build; 4) provide new standards and guidelines for a skilled and trained workforce for design-build projects; and 5) establish a sunset date for these provisions on January 1, 2025, passed the Senate Floor, in concurrence of Assembly amendments, by a vote of 23 to 11 on August 27, 2014. This measure now proceeds to the Governor.

Status of Legislation of County Interest

AB 2756 (Committee on Revenue and Taxation), which as amended on August 5, 2014 would: 1) require the State Board of Equalization to establish an assessment analyst certification program for State, county, or city and county assessor/assessment analysts; and 2) establish procedures related to the availability of a biodiesel tax

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refund/reimbursement to persons who have paid such a tax, passed the Assembly Floor, in concurrence of Senate amendments, by a vote of 60 to 10 on August 27, 2014. This measure now proceeds to the Governor.

We will continue to keep you advised.

WTF:RA
MR:VE:IGEA:ma

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants